

Examiners' Report

June 2019

GCE Business Studies 9BS0 02

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Introduction

Overall this paper proved to be accessible for the majority of candidates. Each question was attempted and the majority of candidates did not appear to run out of time. As with previous series, the most successful candidates revealed strong subject knowledge, were able to complete calculations correctly and had good exam technique. Specifically, they were able to write well structured responses which consistently focused on the question. The strongest responses included well developed and balanced arguments, with consistent reference to the business context, leading to a supported judgement. There were many examples of candidates using the recommended 'MOPS' (Market, Objectives, Product and Situation) technique, particularly when writing supported recommendations for the 20 mark questions.

It is disappointing to report that many candidates were unable to complete the average rate of return calculation required for Q01(b). Centres are advised that at least 10% of the marks available are for numerical skills. It is important that candidates are well versed in the range of numerical concepts contained in the specification. Other common weaknesses included not directly answering the question set, writing responses that lacked balance and illustrating only partial understanding of certain business concepts such as Ansoff's matrix.

Question 1 (a)

Several candidates misinterpreted this question. The question was focused on 'why businesses prefer to stay small' using the context of VisionSpring. Many candidates were able to do this and gained application marks for using relevant examples to support their argument. However, a significant number of candidates misread the question and explained why VisionSpring preferred to stay small. Consequently these responses often gained zero marks.

- 1 (a) Explain **one** reason why businesses that sell VisionSpring's glasses may prefer to stay small.

(4)

A small business is one with fewer than 50 employees. One reason why they may prefer to stay small is because they can use the product as a USP as it is a 'social enterprise'. Therefore, businesses can stay small as glasses are sold for '£4', a 100% profit. Therefore, staying small can still ~~to~~ gain sales to increase profit.



This response was awarded 4 marks. The correct definition provided the knowledge mark, application marks are awarded for the reference to 'social enterprise' and 'sold for £4, a 100% profit'. The analysis mark was awarded for linking staying small to increased profit.

- 1 (a) Explain **one** reason why businesses that sell VisionSpring's glasses may prefer to stay small.

(4)

One reason that businesses selling Vision Spring's glasses may want to stay small is so that they don't experience diseconomies of scale. This happens when a business grows too much and ~~can lead to~~ per ~~unit~~ cost is when average costs begin to rise as output increases. This may be due to staff demotivation from Vision Spring's becoming too large a company.



ResultsPlus
Examiner Comments

This response was awarded 2 marks. It gains a knowledge mark for providing the reason of staying small in order to avoid diseconomies of scale and an analysis mark for explaining this concept. However, there is no attempt to use the context, so consequently the 2 marks for application cannot be awarded.

Question 1 (b)

This question was incorrectly answered by most candidates. Generally there was a lack of understanding of how to perform this calculation, despite many candidates correctly stating the formula. The best answers correctly calculated the average rate of return and showed the stages involved in performing the calculation.

For people in developing countries, purchasing a pair of VisionSpring glasses may be considered as an investment.

(b) Using the data in Extract B, calculate the average rate of return from purchasing a pair of glasses. You are advised to show your working.

(4)

$$ARR = \frac{\text{net return per annum}}{\text{capital outlay}} \times 100$$

$$108 \times 2 = 216 = 2 \text{ yrs}$$

$$\text{price} = £4$$

$$= 2 \times 216$$

$$0.24$$

$$1 \quad 108 \quad (104)$$

$$212 \div 2 = 106$$

$$2 \quad 108 \quad ()$$

$$4$$

$$= 2650$$



ResultsPlus
Examiner Comments

This response gained 4 marks. It states the correct formula and each stage of the calculation is completed correctly. Ideally, it should have stated 2650% but the mark scheme stated that the figure of 2650 was sufficient to award full marks.

(b) Using the data in Extract B, calculate the average rate of return from purchasing a pair of glasses. You are advised to show your working.

(4)

~~year 0: (-4)
 year 1: £108
 year 2: £108
 price = £4
 income = £108
 life = 2 years~~

Year 0 (-4)
 Year 1 : £108
 Year 2 : £108

$$\frac{216 - 4}{2} = \frac{212}{2} = 106$$

$$\frac{106}{4} = 26.5$$



This response gained 2 marks. One mark was awarded for the correct calculation of the total return and the second for the correct calculation of the average annual return. The final amount is incorrect as the candidate has failed to multiply by 100, revealing incomplete understanding of the formula.

Question 1 (c)

This question was generally well answered. It is pleasing to report that almost all the candidates understood the structure required for a 10 mark question. The best answers were able to offer well developed points both for and against the use of retained profit, with impressive use of context. For example, stronger answers referred to factors such as VisionSpring's business model was profitable and sustainable, but the amount of profit made was limited. Judgements were supported by prior analysis. A number of candidates wrote largely theoretical answers and some forgot to write a conclusion. A common mistake was that candidates would misinterpret the question and write about organic verses inorganic growth.

Retained profit is the capital left over after the previous year of trading, re-invested back into the business. It is a good idea for VisionSpring as they are a social enterprise, so generating profit for shareholders isn't their main concern, this means that by re-investing any profit made from previous financial years will go straight into growth and expansion of the social enterprise. This would lead to quicker growth than other sources due to the lack of need for a business plan. This therefore means they will be able to expand the scheme organically using profit made, rather than increasing liabilities with the interest of a bank loan. This however will take a longer time due to the small profit made in comparison to the bank loan.

On the other hand, acquiring a bank loan from established businesses in developing countries may be a better option as they will provide guidance as well as sourcing capital due to them giving money being an investment. This would lead to VisionSpring having great knowledge

taught to them by a big business, further increasing their chance to grow successfully as a social enterprise. This therefore will allow them to reach aims and objectives as they will have the knowledge on what to do, and the capital which comes with it. However a strong, influencing business plan will be required in order to gain the finance.

To conclude I think they should choose to grow organically by re-investing profits as every step of the chain is profitable and works well. This means that although a slower growth, there is less risk involved as there is no interest to be repaid, which means VisionSpring can focus on other objectives and growth of the enterprise rather than paying back the loan.



This response was considered to be level 4 and awarded 8 marks. It is well structured, with separate paragraphs for each argument and a conclusion. Each argument is well developed and the first paragraph in particular makes effective use of the context. The conclusion is supported, directly answers the question and includes additional context to provide more perspective.

retained profits are profits from the business that haven't yet been reinvested back into the business.

A benefit of Vision Spring wanting to finance their growth using retained profits is the fact that they don't have to pay any interest back for using their own profits, and therefore it saves money as they don't have to pay interest. ~~as a result this can be used to~~ However as a result this means that they don't have to worry about having their personal assets taken away however many smaller companies such as Vision Spring ~~are~~ usually have limited liabilities.

However, if Vision Spring use ~~minimised~~ their retained profit it is a risk that they may not have enough to sustain their growth and therefore could risk going bust, in addition, there is an opportunity cost linked with using retained profits as if they're getting spent on growing the company then they're not getting spent

things such as making their production more sustainable in order to reduce pollution for example.

Overall, using retained profits is useful for Vision Spring as they can grow while still maintaining full control of their business.



This response was considered to be level 2 and awarded 4 marks. It has good structure with separate paragraphs for each argument and a conclusion. Relevant arguments are identified but there is only limited development. No attempt is made to add context to illustrate the arguments, resulting in a theoretical answer. The conclusion is brief and simply summarises the previous arguments.

Question 1 (d)

This question was accessible for most candidates. There was good understanding of social responsibility and most candidates made good use of the context. Answers were generally well structured and balanced. Stronger responses were typically able to provide well developed lines of argument with consistent use of context. More sophisticated conclusions recognised that social responsibility was a key USP for Warby Parker and integral to its business model. Weaker responses tended to make a number of points with limited development and offered conclusions that simply summarised the previous arguments. A number of candidates confused Warby Parker's low prices as an example of being socially responsible.

(d) Assess whether the decision to be a socially responsible business is likely to increase Warby Parker's profits.

(12)

⊕ sales from customers who are ethical

↳ may be able to sell premium price but low price instead
↑ costs

⊕ ↑ investment

↳ may be dismissed as PR scheme, or as other competitors like Vision Spring are doing it

One benefit of Warby Parker ^{using CSR and} being socially responsible is that sales from ethically conscious ~~ba~~ customers may increase, becoming loyal to the brand due to their social responsibility. As a result, Warby ^{Parker} may be able to differentiate themselves further from the large companies which dominate the optical industry, and therefore have a competitive advantage. As a result, sales may increase, increasing profits. However, as a result of ~~op~~ being socially responsible, Warby Parker's costs may increase, with the fact that after every purchase, one pair of glasses is given to charity, means that every ^{glasses} ~~purchase~~ purchase has double the cost due to two glasses units being sold/given away. As a result, Warby Parker's profits may decrease due to a high cost level decreasing profit margins.

Another benefit of being a socially responsible business may be that Warby Parker may see increased investment from ethically conscious investors, meaning that

Warby Parker may have increased investment opportunities. As a result, Warby Parker may be able to gain better deals for loans than they would from banks, gaining a better interest rate, and as a result a decrease in costs and therefore an increase in profits. However, Warby Parker ~~acting~~ being socially responsible may be dismissed and not give Warby Parker a USP if lots of other businesses are doing a similar thing, such as Vision Spring which is a social enterprise.

Therefore, ~~customers may~~ Warby Parker may not be as differentiated, leading to a lack of impact on profits.

Overall, I think it is highly beneficial for Warby Parker to be a socially responsible business. This is because it attracts ethically conscious consumers, leading to an increase in sales and customer loyalty, helping to increase profits in the short and long term.

However, the success of this depends on the number of competitors also behaving ethically, as if this is the case it will not impact ~~to~~ create a USP for Warby Parker. Also, it depends on the extent to which costs increase as a result of behaving ethically.



This was considered to be a level 4 response and was awarded 10 marks. It provides 2 well developed arguments that support social responsibility as a contributor to increased profits, as well as a counter argument for each. Each paragraph makes effective use of the context to illustrate the analysis. The overall conclusion is supported by the previous analysis, but also provides insight by recognising that being socially responsible will only be a USP for Warby Parker as long as none of its rivals adopt the same policy.

(d) Assess whether the decision to be a socially responsible business is likely to increase Warby Parker's profits.

(12)

Social responsibility is when a business takes action and responsibility of the affect their business has on society. Warby Parker's is social responsible by selling high-quality, better looking glasses to their consumers at a lower price than their competitors in order to allow more consumers to be able to afford high-quality glasses. Social responsibility increases a businesses costs or can lower profit. By Warby Parker (WP) selling glasses at a lower price than competitors they are ~~see~~ reducing their profit margin which can lead to lower overall profit. This would be a trade off for WP. However, due to their lower prices they would benefit from increased demand (sales) for their glasses due to more consumers having access to them which could make them more profitable to their competitors. By being social responsibly through charging a lower price WP could operate in the middle income market.

or glasses customers meaning have a much larger target market of 2 billion consumers compared to 0.5 billion consumers in the high income market. This could suggest more growth for WP, leading to more demand and sales which would in turn increase WP's profits. However, WP would have lower profit margins which would mean they would have to sell more (higher sales volume) in order to make similar profits to their consumers who have a larger profit margin. WP's profits would increase due to them being socially responsible through charging lower prices because they will see increased demand increasing their profit. It depends on whether the glasses are price elastic or inelastic as to how much the profit will increase. Elastic will increase demand more than the reduction in price leading to more profit for WP.



This was considered to be a level 1 response. Although the candidate shows some understanding of social responsibility, unfortunately this response considers the fact that Warby Parker charges low prices to be an example of this. Consequently, because this reveals fundamental lack of understanding, marks for application, analysis and evaluation cannot be awarded. This is a good example for centres to illustrate to their candidates the fundamental importance of correct knowledge in order to provide the foundation for correct answers.

Question 1 (e)

This question proved to be accessible for most candidates. It is pleasing to report that candidates generally appear to have a good understanding of how to structure a response to a 20 mark question. The best responses provided fewer, but more developed arguments for each option. There was impressive use of theory, particularly Ansoff's Matrix and Porter's cost leadership or differentiation strategies. Stronger responses revealed good understanding of the context and supported their arguments with both quantitative and qualitative information. The best recommendations revealed insight through the use of MOPS, to identify the most significant reasons for choosing a particular option.

Weaker responses tended to show limited development of arguments, confused understanding of Ansoff's matrix and misconceptions of the market Warby Parker currently operated in. Some responses were too long and lost focus. This sometimes resulted in the candidate running out of time for the second 20 mark question.

Warby Parker's main corporate objective is to grow the business. The management is considering two options, either to develop a new range of contact lenses for the high income market, or to start selling glasses in the low income market.

New
market

- (e) Evaluate these two options and recommend which **one** is most likely to achieve Warby Parker's main corporate objective.

(20)

Warby Parker will ~~benefit~~ benefit from developing contact lenses as they can ^{stay in} ~~enter~~ the high income market, opening to ~~an existing~~ audience who are willing to pay higher prices. ~~This is product development from the Ansoff matrix whereby a new product is introduced into their current market, bearing medium risk.~~ This is product development from the Ansoff matrix whereby a new product is introduced into their current market, bearing medium risk. This means that Warby Parker can create high quality contact lenses to build upon their designer image and use a ~~price~~ price skimming method to attract early adopters to pay premium prices for added value and reduce their prices when demand falls. This will lead to higher sales volumes and therefore higher profits which can be used to build their global brand ~~to become~~ and become market leaders of the high income niche to 0.5 billion people. This will ultimately allow Warby Parker to grow and fulfill their belief that everyone has the right to see. However, this depends upon there being a high enough demand for contact lenses as the market may already be saturated with glasses which could lead to a reduction in sales and thus profits, not promoting growth.

However, on the other hand, selling glasses in the low income market is market development. This means that they can appeal to a larger audience in the mass market with a product they already know is successful and therefore bears lower risk. This leads to higher levels of customers to buy and therefore increased sales. This means revenues are increased leading to higher retained profits to be spent on expanding further into ~~the low income~~ markets beyond the current 4 billion in the low income. It ultimately builds their reputation and brand as ~~the low income~~. Warby Parker become more well known in low income markets than competitors such as Vision Spring, promoting levels of growth. However, this depends upon the glasses being suitable for a low income market. ~~The~~ Lower income buyers desire function ^{design} over ~~marketing~~ aesthetic and therefore Warby Parker's designer image may not be as attractive or ^{as} useful at adding value in this market, reducing sales, profits and less funds for Warby Parker to expand and meet the main objective of growth.

In conclusion, I ~~believe~~ believe that Warby Parker will benefit more ~~to~~ to grow from the option of entering the new low income market with the same glasses products because they have a higher target audience and know their product is already successful in other markets. It will lead to more returning, loyal customers,

increasing levels of profits ~~and growth~~ which could be used for growth rather than ~~be~~ being trapped in the higher income niche market which although offers higher profit margins may not be as sustainable nor achieve ~~the~~ corporate objective of grow by expanding into new markets.



This was considered to be a level 4 response and was awarded 17 marks. It is well structured with separate paragraphs for each option and the recommendation. Arguments for each option are well developed with impressive use of Ansoff's matrix. Arguments are consistently in context. A limitation of each option is identified and explained at the end of each paragraph. Arguments and the recommendation are consistently focused on the objective of growth. The recommendation is supported by the previous analysis and makes use of MOPS, by linking the option back to the current market that Warby Parker operates in.

(e) Evaluate these two options and recommend which **one** is most likely to achieve Warby Parker's main corporate objective.

(20)

One advantage to Warby Parker of developing new contact lenses in a high income market is the ability to charge high prices. ~~These~~ According to Ansoff's matrix, this strategy is known as ~~market~~ ^{market} development. Consumers in the high income market are less likely to be affected by the price of Warby Parker's high prices, therefore resulting in an inelastic product. In addition, according to Extract C, the optical industry is dominated by high price businesses, therefore the consumers are more likely to spend money on contact lenses, resulting in higher profit.

However, market development is known as a relatively high risk strategy. Warby Parker has limited experience in the ~~contact lenses~~ ^{contact lenses} high income market, therefore they may have difficulty in anticipating trends in this market. This may mean high investment in research and development, ~~resulting~~ ^{may also} resulting in higher business costs. This ~~may~~ ^{may} ~~also~~ lead to product failure, resulting in lower profit margins for Warby Parker.

Warby Parker has created a brand by selling ~~low price~~ glasses to the low income market. Therefore, to keep improving the strength of their brand, ~~is to~~ Warby Parker may consider selling low price glasses. This would be advantageous as product development is a less risk strategy according to Ansoff's Matrix.

Almost 1 billion people worldwide don't have access to affordable glasses, therefore by selling glasses to low income markets Warby Parker has a wide market to sell to, ultimately resulting in higher revenue and profit margins.

On the other hand, Warby Parker will have limited access to higher revenue by selling low price glasses, compared to the ability of charging higher prices in high income markets.

By charging ^{low} ~~higher~~ prices, Warby Parker must count on high sales volume in order to secure higher profit margins, otherwise this may result in product failure and therefore damaging Warby Parker's brand.

Overall I believe the best decision for Warby Parker would be to develop glasses in low income markets.



This was considered to be a level 2 response and was awarded 8 marks. This response is well structured and balanced and includes a range of valid arguments. However, the development of each argument is limited and often based upon assertion. There is incorrect understanding of Ansoff and arguments are not focused upon the objective of growth. Although there is balance, the candidate fails to make an overall recommendation.

Question 2 (a)

This question was generally well answered, however, a significant number of candidates confused cash flow with profit. The best responses provided a correct definition of a cash flow forecast and used the data from the cash flow forecast and/or other relevant information from the extract to explain one way the forecast could be used. Many candidates wrote theoretical answers with no reference to the actual cash flow forecast, consequently failing to gain the two marks available for application.

- 2 (a) Using the data in Extract E, explain **one** way Hardy Punglia could use his cash flow forecast.

(4)

A cash flow forecast shows the cash inflows and outflows for a business in each month. Hardy Punglia can use his cash flow forecast to identify that the cash inflows are rising rapidly from by £6000 in 2 months and the cash outflows are decreasing rapidly from £7000 in January to £3000 in March, this shows that by March Punglia can use the cash flow forecast to identify that in March January he is likely to need a short term loan but will be able to quickly pay it off, this prevents cash flow problems from happening by identifying potential issues early.



This response was awarded 4 marks. It provides a correct definition and makes effective use of the extract to explain one way the cash flow forecast could be used.

- 2 (a) Using the data in Extract E, explain one way Hardy Punglia could use his cash flow forecast.

(4)

A cash flow forecast shows future cash flows ^{expected by} ~~within~~ the business. Hardy is planning to open another shop and he can use cash flow forecast to see ~~too~~ whether he would have enough cash in the future to open another shop by ~~examining~~ ~~examining~~ examining future monthly balance and see whether Hardy would need to obtain finance to do so.



This response was awarded 2 marks. It reveals understanding of a cash flow forecast and gains an application mark for identifying that Hardy Punglia wishes to open another shop. However, there is no reference to the data and explanation of how the cash flow forecast could be used.

Question 2 (b)

This question was generally well answered with candidates revealing good understanding of how to calculate variances. A significant number of candidates failed to gain full marks because they omitted to add 'million' to their correct answer of 388.

- (b) Using the data in Extract F, calculate the total profit variance for Zara in 2016.
You are advised to show your working.

(4)

$$\begin{aligned} \text{Variance} &= \text{actual} - \text{budget} \\ \text{Actual sales revenue} &= 23,310 = 2410 \\ &- \\ \text{Budgeted sales revenue} &= 20,900 \\ &- \\ \text{Actual total costs} &= 18,226 = 2022 \\ &- \\ \text{Budgeted total costs} &= 16,204 \\ &- \\ \text{Total variance profit} &= 2410 = £ 338 \text{ m} \\ &- 2022 \end{aligned}$$



This response gained 3 marks. Calculation of both sales and cost variance were correct, but there was a calculation error for the profit variance.

(b) Using the data in Extract F, calculate the total profit variance for Zara in 2016.
You are advised to show your working.

(4)

variance = actual - budget

Budgeted total costs = 16 204

Actual total costs = 18 226

18 226 - 16 204 = 2022



This response was awarded 2 marks for the correct calculation of the cost variance. One mark was given for knowledge of how to calculate variance and the second mark for correctly using the cost figures.

Question 2 (c)

This question revealed good understanding of JIT and the best responses linked this to the context of Zara. Most responses were well structured and balanced. Weaker responses tended to be theoretical and discussed JIT in a manufacturing rather than a retail context. Some candidates simply 'lifted' information from the extract but failed to link it to JIT.

(c) Assess the extent to which Zara's use of just in time (JIT) may have contributed to its success.

- W/C control
- no storage space require
- less space.
- reliance on 3rd party
- could let Zara down.

(10)

JIT is a method of stock management. It is part of lean production where stocks arrive just as when they are required. ~~so~~

Zara prides it self on new products arriving fast. It is a factor that differentiates it from rival clothing retailers. ~~so~~ it ~~must~~ JIT is a good method for Zara because it means working capital is not held up in stocks. This will allow Zara to have good cash flow allowing it to use funds elsewhere such as in a marketing campaign as the fashion market is saturated. Zara only has 12 factories serving 650 stores and this means physical space ~~is not~~ may not be available so by using JIT Zara save on storage space allowing it to ~~no~~ have to spend money on expensive warehouses that will ~~cost~~ be costly and reduce profit margin. It is cheaper to use JIT because goods arrive when needed.

However, this does mean that Zara have to have a lot of trust in their suppliers. Not holding stocks mean that reliance is placed on suppliers delivering on time. If they do not customers further down the supply chain are let down. This could cause conflict for Zara and suppliers, ~~But to combat this~~ Zara which can ultimately

let down its ~~cost~~ customers. It could also be costly for ~~Zara~~ Zara to have to place multiple orders on a regular basis ~~as they are not~~ ^{may not} benefiting from bulk order discounts, but this won't apply to Zara's situation.

Overall, it seems like JIT is working successfully for Zara. It has a large footfall for its stores, more compared to rivals and its rate of new clothing introduction could be ~~to~~ a reason. There are risks to JIT stock control, such as supplier breakdown at factories but ~~it~~ it appears that suppliers have kept up their end of the ~~to~~ deal successfully. ~~The~~ Sufficient scenario planning should be conducted to ensure that if there was to be ~~a breakdown in~~ an issue with JIT there are strategies in place to cope with this.



This response was considered to be level 4 and was awarded 10 marks. It is well structured, balanced and has a supported conclusion. Arguments are well developed and there is effective use of context throughout.

(c) Assess the extent to which Zara's use of just in time (JIT) may have contributed to its success.

(10)

JIT is ~~not~~ a stock control approach ~~which~~ where no stock is held and deliveries arrive on time as goods are sold.

This method has contributed to its success because it forces customers to buy the product when they see it, ~~instead~~ in order to secure their purchase, instead of buying it later and risk it being out of stock. This is beneficial to Zara as they can gain immediate profits from the fast-paced sales. Therefore, the sales gained has allowed Zara to gain a positive cash flow and surplus revenues.

~~It has also worked~~ ^{encouraged} Also, JIT has ~~allowed~~ ^{encouraged} customers to buy ~~large quantities~~ and repeat purchases due to the fact that Zara constantly ^{introduces} ~~produces~~ new products in small quantities and limited supply. This forces the customers to come back ~~for~~ looking for more, resulting in customers visiting Zara 17 times which is above the average customer visits to other fashion stores. This has contributed to Zara's success as the introduction of new products in limited supply ~~is~~ is consistent through JIT, ~~not~~ forcing customers to ~~come~~ return for the new products that are rarely available.



This response was considered to be a level 3 response and was awarded 5 marks. It reveals good understanding of JIT and explains two benefits to Zara with effective use of context. However, it does not include a counter argument and a conclusion.

Question 2 (d)

There were mixed responses to this question. Better responses revealed good understanding of scenario planning and included well developed arguments both for and against its usefulness for ASOS. Stronger answers revealed good understanding of the context by not confusing the timeline between the two fires. Weaker responses tended to reveal only a vague understanding of scenario planning, resulting in descriptive answers with limited development. A common weakness was a lack of balance with many candidates unable to provide limitations of scenario planning.

(d) Assess the usefulness of scenario planning to a business, such as ASOS.

(12)

Scenario planning is a way to reduce the impact of risks that could happen. This is where a business plans for risks and decides how they would react to allow for the continuation of the business.

Scenario planning is useful to a business, such as ASOS. This is because it allows for business continuation. The case study states that 'after the fire, ASOS's scenario plan was put into operation and ASOS immediately started to fulfill orders from Germany through its Barnsley warehouse'. This meant that the business was able to quickly adapt and allow the business to get back to usual. This scenario plan ensured that costs suffered to the business were as low as possible and although ^{their} share price dropped initially, it soon recovered'. This shows the effects of a scenario plan as in 2014 when a similar incident occurred it 'Cost £30m in loss of sales'. Therefore, indicating that by having a plan costs are lowered and the continuation of the business is ensured.

However, scenario planning may not be useful to a business such as ASOS because of the costs of producing plans. This may come at a large cost

cost to the business to ensure that all ~~eventualities~~ are planned for, and they may not happen. This may result in a lower profit as staff need to be trained to deal with a problem if it was to occur. This training and implementation of the plans will take time and therefore could decrease the productivity of staff, so less products are made and less products can be sold, meaning that sales revenue will decrease as costs increase.

Overall, scenario planning is a very useful business tool for companies such as ASOs. This is because it allows them to plan for all ~~eventualities~~ ^{eventualities} so that the risks and implications of the event is covered. However, it depends on how well the plans are put together as to whether or not they will allow for success in the case of such events. ASOs should look at the short term implications of added cost to the business, this may increase during planning. However, in the long term if the event was to happen the continuation of the business could happen quickly allowing less stock to be damaged and less costs to the business overall.



This was considered to be a level 4 response and was awarded 10 marks. It reveals good understanding of scenario planning, is well structured and balanced. The first paragraph reveals a well developed line of argument which is supported by effective use of the context. The counter argument is also well developed but lacks context. The conclusion is supported by the previous analysis and shows insight by considering both the short and long term implications of scenario planning.

(d) Assess the usefulness of scenario planning to a business, such as ASOS.

(12)

Scenario planning is when a business will put plans in place to respond to ~~as~~ different scenarios so they minimise the consequences.

Scenario planning can be used to a business such as ASOS because it is an online only site not on the high street so it is important they plan for many scenarios. This can include a fire destroying stock as a scenario plan would likely prepare for this by for example making sure all products are protected by fireproof doors or another scenario such as the internet going down for a substantial amount of time and they need to prepare for that as this is a big problem for ASOS. Scenario planning is very useful for any business because the business knows how to respond to any negative effects that occur for the business and can carry on trading without losing any money and maintaining profitability without the risk of losing valuable stock or assets which can ~~cause~~^{cost} the business lots of money and potentially putting them in debt.



This was considered to be a level 2 response and was awarded 3 marks. It reveals some understanding of scenario planning and identifies a range of circumstances where it might be useful for ASOS. However, there is limited development of these points and there is no counter balance or conclusion.

Question 2 (e)

This question was generally well answered, although a significant number of candidates appeared to have run out of time. Stronger responses revealed good understanding of the difference between quality control and TQM. These responses were well structured, balanced and made effective use of the context. Arguments were consistently focussed upon the objective of the best way to maintain quality. Recommendations were supported by previous analysis, directly answered the question and made effective use of 'MOPS' to justify which option to choose.

There were a number of candidates who confused quality control with TQM. As a result they tended to gain only level 2 marks. Other candidates discussed the importance of quality in general terms without specific reference to either quality control or TQM.

Zara is planning to open another 200 stores and is considering the best way to maintain the quality of its clothes. Zara is considering using either quality control or total quality management (TQM).

- (e) Evaluate these two options and recommend which **one** would be the best way for Zara to maintain the quality of its clothes.

(20)

Maintaining high quality clothing is something which is essential to Zara in maintaining customers.

To begin, quality control would be an effective way of ensuring high quality fashion. This method of quality checking involves products being tested at the very end of the production process before they are shipped off to stores. This will mean that Zara can detect any issues with quality early on. For example, if there was a hole or mismatch in the fabric of a dress, quality control would enable Zara to detect this issue before it reaches a customer, who would inevitably send it back with a complaint. Zara is therefore able to prevent as many customer complaints as possible, and maintain its reputation as the high quality Spanish retailer. This therefore means that customers will be more loyal to the brand, as they always know they are getting

high quality clothing. However, a huge issue with ^{the} quality control method is that ~~these~~ products are left unchecked until finished. This poses an issue because it means that any errors are allowed until the final stage of production. ~~As a result~~ As a result, time, resources and money have been wasted on a product that cannot be sold in the end. This is going to increase Zara's costs while doing nothing for their sales revenue. The company already makes their clothing in limited supply, therefore this kind of quality checking could reduce supply even more, if products are unfit for sale. With a different method of quality assessment, mistakes could be rectified sooner.

The alternative option, total quality management (TQM) would be an example of a method where errors can be detected sooner instead of at the end of production. Total Quality Management involves all workers being fully committed to ~~maintaining~~ maintaining the highest possible quality in all aspects of the business' operations. This method ~~represents~~ would ensure

high quality clothing, as all employees are committed to maintaining it, and they know how this can be achieved. Not only that, but it also keeps staff satisfied. With this commitment, they feel greater responsibility for their work, which makes them feel more valued by the business and will reduce staff turnover. Adopting TQM will therefore improve the quality of Zara's clothing, while also giving ^{managers in} ~~the~~ ¹² their Spanish and Portuguese factories more responsibility and making them feel valued.

To conclude, I believe the best option for Zara is to adopt Total Quality Management. This way any prototype errors can be spotted and rectified sooner, to ensure products are high quality. With the ^{high end} fashion market being incredibly competitive it is essential that Zara ensures high quality clothing to be able to compete with and not lose customers to the likes of H&M, which could be risked if they opted for quality control. (Total for Question 2 = 50 marks)



This was considered to be a level 4 response and was awarded 18 marks. It reveals good understanding of both quality control and TQM. Each argument is well developed and consistently refers to the context of Zara. It includes evidence of evaluation throughout. The recommendation is supported by previous analysis and justified by use of 'MOPS' by referring to the competitive nature of the fashion market.

(e) Evaluate these two options and recommend which **one** would be the best way for Zara to maintain the quality of its clothes.

(20)

Quality control is where quality is checked at the end once product is fully made.

TQM is where quality is checked throughout the process by everyone involved.

Benefits of Quality control is it cheaper as you only need to train/employ one person to check quality at the end of the process. It is also quicker as only one person is checking compared to TQM where everyone is involved.

However disadvantages of quality control is because it is the end ~~ya~~ something could go wrong at the beginning and be overlooked, and then time is wasted continuing to produce it when it may have to be discarded at the end.

Benefits of using TQM is it makes employees feel more responsible for

their work so they are more motivated to do it well. They will also feel like they are more of an asset to the business if they are spending money on training them to be able to make sure the quality of what they're producing is good. They will be more efficient as a business because it will reduce the amount of waste, better for the environment.

However disadvantages of TQM is if it is expensive for the business to train all employees in quality assurance. It is also time consuming as stages are checked individually before the next step. This may make employees feel like they should be paid more because their job role has had something added.

In conclusion, TQM will be the best way in which Zara will be able to maintain its quality in clothes as it is more in detail so it is more unlikely for anything to be missed because there are multiple people checking it constantly leading to less people taking things

back due to bad quality so less time wasted by people doing returns and being put off by the brand. Which means Zara will have a better reputation in the quality of its clothes leading to more sales and them being able to increase prices.



This was considered to be a level 3 response and was awarded 10 marks. It reveals good understanding of both quality control and TQM. The response is well structured and balanced. Arguments for both options are well developed and there is evidence of evaluation throughout. Unfortunately, it is a generic response with limited reference to Zara and consequently it lacks application. The recommendation is supported but simply summarises previous arguments with no use of 'MOPS' to justify the decision.

Paper Summary

Based on their performance on this paper, candidates are offered the following advice:

- Provide well structured responses that clearly answer the question set.
- Provide well developed and balanced arguments, referencing the business context.
- Offer supported judgements where necessary.
- Use the recommended 'MOPS' (Market, Objectives, Product and Situation).
- Understand how to complete calculations and demonstrate excellent understanding of the numerical concepts outlined in the specification.
- Apply knowledge effectively to the business context and the question asked.
- Manage your time effectively to ensure that all questions are attempted and the appropriate time is spent on questions, depending on the number of marks available.

Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>

